SOUTHERN STAR NAVIGATION
LANDSTAR Agent

CUSTOMS ENFORCEMENT EXPANDS

Foreign IOR Requirements and Transshipment Enforcement

Two new developments provide additional insight into where U.S. customs enforcement is heading. On August 12, CBP issued a CTPAT Alert with new details about upcoming requirements for foreign Importers of Record (IORs) and CTPAT-Validated Customs Brokers. On August 13, the White House released a report focused on illegal transhipment, country-of-origin shifting, and tariff evasion through third countries.

1 FOREIGN IOR REQUIREMENTS ARE BECOMING CLEARER

Under Executive Order 14411, foreign IORs will be required to be CTPAT validated or use a licensed CTPAT-Validated Customs Broker to file entries with CBP. CTPAT-Validated Customs Brokers are expected to perform more comprehensive vetting of foreign IOR clients.

Brokers Are Expected to Review:

- Legal identity and ownership structure
- Business affiliations and U.S. assets
- Import and compliance history
- Ability to pay duties, taxes, and fees
- Supply chain information
- Product classification
- Valuation
- Country of origin

Brokers will maintain records of their due diligence, including powers of attorney and relevant communications.

2 IMPORTER "GOOD STANDING" WILL ALSO MATTER

CBP is developing requirements for Importers of Record (IORs) to maintain "good standing." An IOR that loses good standing could be prohibited from importing goods or designating a customs broker to act on its behalf.

Brokers that fail to perform required due diligence, repeatedly represent non-compliant or unverifiable clients, or fail to cooperate with CBP requests may face:

- Financial penalties
- Increased audits
- Suspension or removal from the CTPAT program

3 TRANSSHIPMENT AND COUNTRY OF ORIGIN ARE RECEIVING MORE ATTENTION

The August 13 White House report identifies more than 40 jurisdictions associated with elevated illegal-transshipment risk. Countries are grouped into three tiers:

TIER 1 – DIVERSIFIED SCALE LEADERS	TIER 2 – SCALE LEADERS WITH SIGNIFICANT ECONOMIC INTEGRATION WITH CHINA	TIER 3 – SMALLER OPPORTUNISTIC JURISDICTIONS
Canada, European Union, India, Israel, Japan, Mexico, South Korea, Taiwan Potential risk exists within large volumes of otherwise legitimate trade.	Brazil, Indonesia, Malaysia, Thailand, Turkey, Vietnam Deeper integration with China-linked supply chain and manufacturing networks.	Includes countries with factors such as free-trade zones, bonded warehousing, port access, lower-cost assembly, re-export activity, or more limited customs capacity.

Inclusion in a tier does not mean goods from these countries are presumed to be illegally transshipped. The report acknowledges that legitimate manufacturing, investment, and sourcing shifts also occur. Importers must be able to support the declared origin and tariff treatment with documentation and the actual production process.

4 WHAT ENFORCEMENT MAY LOOK AT

Production / Manufacturing Activity

- Factory capacity
- Input sourcing
- Local value added
- Labor utilization
- Equipment and capability
- Whether transformation is meaningful or limited

Logistics / Routing Activity

- Bills of lading
- Container routing
- Bonded warehouses
- Free-trade zones
- Related-party invoices
- Dwell time, re-invoicing, relabeling
- Export documentation

Data analytics, shipment histories, classifications, ownership information, and production capacity may be used to identify unusual patterns.

5 ENFORCEMENT ACTIVITY IS ALREADY INCREASING

Comparing the two 526-day periods described in the report:

245%
Shipments identified with post-release discrepancies increased from **93,744** to **323,677.**

169%
Associated revenue assessments increased from **$9.6 billion** to **$25.8 billion.**

6 WHAT IMPORTERS CAN REVIEW NOW

- Who is acting as the Importer of Record
- Foreign IOR and DDP responsibilities
- Ownership and company information
- Bond arrangements
- Product classification
- Valuation
- Country-of-origin support
- Supplier and manufacturing records
- Supply chain documentation
- Powers of attorney and broker communications

Be able to document what manufacturing occurred in a third country and why the declared origin is correct.

WHAT HAS NOT CHANGED YET: Neither the August 12 CTPAT Alert nor the August 13 White House report establishes a new tariff or final effective date for the foreign IOR requirements. CBP must still complete regulatory and implementation work before these requirements take effect.

Questions? Contact Southern Star Navigation 833-782-7628 Ext. 1